

DOCKET SECTION

BEFORE THE POSTAGE RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97-1

TRIAL BRIEF OF NATIONAL ASSOCIATION OF PRESORT MAILERS (February 10, 1998)

This Trial Brief is filed on behalf of the National Association of Presort Mailers ("NAPM") and will summarize the testimony of Dennis MacHarg (NAPM-T-1) filed in this proceeding.¹ NAPM has offered the testimony of Mr. MacHarg for the purpose of providing the Commission with the benefit of the perspective of presort bureaus on several aspects of the USPS proposal in R97-1.

Initially, Mr. MacHarg notes that worksharing mailers have incurred substantial expenses in order to comply with the move update requirements which were made applicable to worksharing First Class Letter Mail ("FCLM") as a result of MC95-1. Mr. MacHarg then points out the inexplicable failure of the USPS to include in its proposal any cost savings which will be recognized by the USPS as a result of such move update requirements. Mr. MacHarg offers his conservative estimate that at least 25% of FCLM mail forwarding costs will be eliminated as a result of the move update requirements. This estimate is based upon his conversations with presort bureaus and equipment manufacturers as to the level of implementation of Fast Forward

¹ NAPM also relies upon the Joint Trial Brief filed in this proceeding on this same date on behalf of American Bankers Association, Edison Electric Institute and the National Association of Presort Mailers.

to comply with move update requirements, and upon his belief that where utilized, Fast Forward will avoid most all forwarding costs, and that in addition to savings from Fast Forward, there should also be cost savings from reduction in forwarding costs as a result of compliance with other move update tools such as Address Correction Endorsement, ACS and NCOA.²

Mr. MacHarg also reminds the Commission that presort bureaus and other worksharing FCLM mailers perform several functions which reduce USPS costs but which are not included in the measurement of cost avoidance of worksharing FCLM. Such costs include facing, culling, cancelling, and banding and sleeving of trays. In addition, Mr. MacHarg describes the tremendous investment of physical plant and equipment devoted by the private sector to the private/USPS worksharing program. He urges the Commission to consider the positive value of this contribution (and the inability of the USPS to handle worksharing FCLM were it to revert from worksharing mailers to the USPS) as a reason to adopt a less conservative and more expansive measurement of worksharing FCLM cost avoidance, thereby justifying larger incentives for worksharing FCLM.

Mr. MacHarg also urges the Commission to recognize that, as stated by USPS witness Fronk, automated 3-digit FCLM is the most important automated FCLM rate category. Accordingly, Mr. MacHarg urges the Commission to recommend at least a 1.0¢ gap between

² Mr. MacHarg also questions why the USPS has not included any revenue in this case in the form of Fast Forward license fees, and questions why the amount of such license fees was established unilaterally by the USPS instead of within the context of a postal rate proceeding which would have afforded all parties an opportunity to comment on the fee.

basic automated FCLM and 3-digit FCLM in order to encourage a high volume of automated 3 and 5-digit FCLM relative to automated basic FCLM.

In the area of First Class flats and the heavyweight presort incentive, Mr. MacHarg recommends three steps which are essential if the USPS is to obtain any meaningful volume of automated First Class flats. These steps include:


1. Retaining the 4.6¢ heavyweight incentive;
2. increasing incentives for First Class automated flats to a level which passes through a much more substantial portion of the cost savings enjoyed by the USPS from such mail; and
3. dropping the 5-digit requirement for the second tier of the First Class automated flats rate category, so that such category is simply for an automated 3-digit flat.

Mr. MacHarg points out that the cost savings of First Class automated flats as reflected in the testimony of USPS witness Daniel at Exhibit USPS-29C³ justify much larger discounts than the 3.0¢ and 5.0¢ discounts proposed by the USPS for First Class automated basic flats and First Class automated 3/5-digit flats respectively.

³ There is more than a 9¢ difference between the costs of First Class single piece flats and First Class basic flats, and more than a 23¢ difference between the costs of First Class single piece flats and First Class automated 3/5-digit flats.

Respectfully submitted,

NATIONAL ASSOCIATION OF PRESORT MAILERS

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with Section 12 of the Rules of Practice.


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February 10, 1998
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